

CONTROLLER JOHN CHIANG

STATE OF CALIFORNIA

300 Capitol Mall
Sacramento, CA 95814
916.445.2636
www.controller.ca.gov

PR08:035

FOR IMMEDIATE RELEASE:

JUNE 19, 2008

CONTACT: HALLYE JORDAN

916-445-2636

Chiang Comments on Federal Receiver's Motion to Draw Funds from the State Treasury

SACRAMENTO – State Controller John Chiang today issued the following comment regarding Federal Receiver J. Clark Kelso's court motion to add the Controller as a defendant in the Marciano Plata lawsuit:

“We have and will continue to work in good faith with Professor Kelso in exploring options for funding the prison's health care system. However, as we have made very clear to him, the State Controller's Office is constitutionally prohibited from drawing a warrant without a duly authorized appropriation from the Legislature or a court order. Without one or the other, our hands are tied.

“A court order would put the State at severe risk for defaulting on debt service and critical payments to schools and to doctors and healthcare providers who serve our poor, elderly and disabled residents. With no cash in the General Fund, the State currently is operating on money borrowed internally from special funds to meet the State's many payment obligations.

“If the Court does order the State to make payments as requested by the Receiver, we would be forced to tap transportation, victim's compensation, mental health and other special funds earmarked by voters for specific purposes. Such action likely would invite protracted and costly litigation at taxpayer expense.

“I encourage the Governor and the Legislature to reach a quick resolution over the use of lease revenue bonds to fund the Receiver's construction efforts so there is no interference with the State's ability to effectively manage the cash flow problems that it faces in the months ahead.”

###